

**MINUTES
of the
FOURTH MEETING
of the
JOBS COUNCIL**

**September 15, 2014
Gadsden Administrative Complex
Santa Teresa**

The fourth meeting of the Jobs Council (council) was called to order by Representative W. Ken Martinez, co-chair, on September 15, 2014 at approximately 10:45 a.m. at the Gadsden Administrative Complex in Santa Teresa.

Present

Rep. W. Ken Martinez, Co-Chair
Sen. Mary Kay Papen, Co-Chair
Terry Brunner
Rep. Stephanie Garcia Richard
Beverlee J. McClure

Absent

Ray M. Baca
Rep. Donald E. Bratton
Celina C. Bussey
Sen. Phil A. Griego
Sen. Stuart Ingle
Rep. Rick Miera
Sen. George K. Munoz
Rep. Debbie A. Rodella
Alex O. Romero
Sen. Michael S. Sanchez
Sen. Pat Woods

Advisory Members

Rep. Mary Helen Garcia
Rep. Patricia A. Lundstrom
Sen. Howie C. Morales
Sen. Michael Padilla

Sen. William F. Burt
Sen. Steven P. Neville
Sen. John C. Ryan
Rep. Thomas C. Taylor
Rep. Don L. Tripp
Rep. James P. White
Eric Witt

Guest Legislators

Rep. Larry A. Larrañaga
Rep. Rodolpho "Rudy" S. Martinez

Guest Members

Jon Barela, Secretary of Economic Development
Dr. Jose Z. Garcia, Secretary of Higher Education

Staff

Tessa Ryan, Staff Attorney, Legislative Council Service (LCS)
Monica Ewing, Staff Attorney, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file.

Monday, September 15**Welcoming Remarks**

Representative W. Ken Martinez introduced Efren Yturralde, superintendent of the Gadsden Independent School District, and thanked the district for hosting the council's meeting. Mr. Yturralde welcomed the council members to Santa Teresa.

Health and Education Sectors — Job-Creation Initiatives

George Mychaskiw, chief academic officer and dean of the Burrell College of Osteopathic Medicine, provided a brief history of osteopathy. The practice of osteopathy was developed on the principles that the body is made of many interrelated systems and that the body can heal itself. Osteopaths serve as family practitioners, obstetricians, gynecologists and anesthesiologists and in other professional capacities.

Mr. Mychaskiw stated that it will take approximately \$85 million to bring the college to full operation. Once it is opened, the college is expected to introduce 150 students into the work force each year. Eventually, that number will increase to 300.

A member asked about the progress of construction of the college. Mr. Mychaskiw said that construction is on target and that the college is expected to open in the fall of 2016. The college is located close to the early college high school on the New Mexico State University (NMSU) campus. In response to another question, Mr. Mychaskiw said that the osteopathy program lasts four years and is followed by a residency program.

Mr. Mychaskiw stated that the college hopes that at least 20% of its student body consists of New Mexicans. He added that 85% of students who complete osteopathic programs practice in primary care in underserved areas. The college hopes that many of its graduates will practice in New Mexico.

A member commented that outreach to area public schools might help to increase students' awareness of osteopathic medicine as a career path. Mr. Mychaskiw agreed that outreach is important and added that the college has hired someone to do educational outreach in local grade schools and high schools.

Mr. Mychaskiw stated that hospitals and federally qualified health centers create resident positions. There is funding available to assist centers and hospitals that have not established residency programs. Mr. Mychaskiw said that interactions with the medical community have been warm and that the school has been working closely with New Mexico's medical community.

A member asked about NMSU's financial relation to the college. Mr. Mychaskiw stated that the college is a private institution that is leasing land from NMSU. The college will offer its students certain services, like housing, that the college will purchase from NMSU. The college will provide scholarship funding to NMSU.

Mr. Mychaskiw stated that the college will create 250 jobs while in the construction phase, 100 full-time jobs when the college opens and approximately 200 long-term secondary jobs in related businesses, like retail establishments. The college estimates its economic impact in the community to be \$80 million.

Benjamin Woods, special assistant to the president of NMSU, spoke to the council about NMSU's involvement with the college. In March 2013, Mr. Mychaskiw contacted NMSU about the possibility of affiliating with the college. When NMSU became affiliated with the college, NMSU's president stated that NMSU would not support the college through investment of public funding. In addition, because the affiliation would reflect on NMSU's brand, NMSU decided that the college would have to be accredited in order to affiliate with NMSU.

In response to a question about the college's increasing need for student housing, Mr. Woods stated that NMSU approaches housing like a business that requires a predictable client base, which the college will be able to provide. Mr. Woods added that NMSU has significant land holdings, and approximately 200 of its 900 acres are leased to the Arrowhead Center.

Several council members expressed excitement about the opening of the college and appreciation to the Burrell family for investing in the college.

Work Force Development Initiatives

Stacie Allen, president and chief executive officer (CEO) of The Bridge of Southern New Mexico (BSNM), spoke to the council about her organization's work in Dona Ana County. BSNM was started in 2007 with the goal of ensuring that all students in Dona Ana County graduate with skills to make them competitive in the international work force. The county's graduation rate in 2007 was 51% and has increased to 71%.

The organization focuses on dual-credit high school courses and community mentorships for students. Ms. Allen emphasized the ties between her organization and members of the business community and employers and stated that it is important for students to develop in-demand job skills.

The organization believes that education, work force issues and economic development should be addressed simultaneously.

Bryn Davis, the New Mexico operations manager for Sapphire Energy, Inc., spoke to the council about The Employability Partnership, saying that 48% of third grade students in the state cannot read. This group of students, he said, is four times more likely than those who can read in third grade to drop out of high school. The Employability Partnership seeks to evaluate the effectiveness of work force delivery systems and to identify policy impediments to producing employable New Mexicans.

Mr. Davis cited statistics about the state's projected work force needs, necessary education requirements for projected jobs and the correlation between the inability to complete high school and subsequent reliance on public assistance programs. He stated that the state should require better returns on the large investments it makes in its education system.

Mr. Davis suggested several approaches to overcoming the state's work force and education concerns. He said that the private sector should be viewed as the customer in the state's work force delivery systems and that it is critical that the state find a way to collect better data on students and on the outcomes of its investments in the education system. These data are needed in order to tailor programs to solve specific problems. In conclusion, Mr. Davis emphasized the importance of involving the business community in economic development, work force and education conversations and on the critical need for data collection related to education investments.

A member expressed support for early college high schools, saying that they help to reduce college student loan debt, offer alternatives for students who struggle in high school and provide a good example of successful public-private partnerships. The presenters stated that a majority of the recent early college high school graduates became students at NMSU, and several of them entered the work force shortly after graduation.

Mr. Davis explained that the partnership was formed by executive order and includes representatives from seven cabinet agencies and the business community. He would like the Public Education Department (PED), the Higher Education Department and the Workforce Solutions Department (WSD) to collect and use data that can lead to solutions to work force and education issues. Privacy protections sometimes impede the collection of helpful data.

A member asked with whom legislators can discuss the partnership's work in particular districts. Mr. Davis provided his phone number and stated that Mark Lautman, the lead program consultant to the council, has been involved in the partnership's efforts.

Regarding jobs in the Santa Teresa area, a member asked whether legislation addressing trucks that carry overweight loads would be introduced in the 2015 session. Secretary Barela stated that past legislation addressing truckloads was key to the expansion of business in the

border region. He added that the Economic Development Department (EDD) would likely pursue legislation related to overweight loads in the next session.

Secretary Barela addressed needs for road improvements in the Santa Teresa area. He said that the focus should be on improving Airport Road, which gets heavy truck traffic. A council member said that adding hangars to the airport could help area businesses.

Secretary Barela also addressed border traffic concerns. He stated that the governor has been working with the Mexican government to develop temporary and, eventually, permanent solutions to slow-moving traffic headed into Mexico. The number of hours during which cars are allowed to cross into Mexico ultimately needs to be increased, he said.

A member asked Mr. Davis how his organization addresses the kinds of issues, such as poverty, violence and hunger, that many students face outside of school. Mr. Davis stressed the importance of collecting student-related data to help develop strategies to ensure that students become successful members of the state's work force. Ms. Allen added that dual-credit programs show students, who might otherwise not know, that they can be successful college students.

Ms. Allen said that her organization offers opportunities for employers to mentor students and to encourage them to seek out careers in various sectors. She added that the mentorship program helps students to develop soft skills in addition to work skills.

A member asked about what contributes to the successes of students who graduate from the early college high schools and other area schools. Ms. Allen said that she believes the students' success is due to the high expectations to which they are held. There are no competitive sports offered at the early college high school, and the school's students — who are accepted through a competitive application process — are very focused on their studies and have a clear picture of where their education is taking them. The ability to focus on a tangible goal is a great motivator, she said.

In response to a question about the source of the statistics that Mr. Davis presented, Mr. Davis said that he obtained the statistics from the PED.

Ms. Allen informed the council that the early college high school model was not developed in New Mexico, but rather emerged from nationwide research. She added that BSNM is working to track the students in the first cohort that graduated from the early college high school.

A member asked the presenters to list the barriers to employment on which the legislature should focus. Ms. Allen stated that there is a need for accountability in education funding. High-quality educators need to be identified and hired, and student assessments and evaluations systems need to be measuring success in reaching the state's educational goals. Mr. Davis

reiterated that data collection is an important part of developing solutions to the state's work force needs.

Update on Council-Approved Legislative Initiatives

Mr. Lautman reviewed the 10 legislative recommendations developed by the council in its 2013 and 2014 interim work. The council's total request for appropriations in its job-creation legislative recommendations is \$70,425,000 and includes requests for funding the New Mexico Partnership, Local Economic Development Act (LEDA) projects, the Job Training Incentive Program (JTIP), a cooperative advertising program, local economic development staff augmentation, a solo-worker pilot program, a forest restoration program, a middle school physics pilot program, state broadband needs assessments and a work force gap forecast model.

A member commented that the council should be able to articulate the reasons for each request and the details of each program's operation.

In response to the question of whether the council would request funding for MainStreet programs, it was stated that the list of recommendations was open for revision by the council and that, by consensus, items could be added or removed.

Improving Operational and Performance Metrics for Job-Creation Initiatives

Mr. Lautman informed the council that data collected from local economic development organizations would help support its requests for funding. He added that a common methodology to govern how job-creation and job-needs information is reported and compiled is needed.

Mr. Lautman identified the following four ways in which the state could achieve greater reporting of job-related data:

1. amend the state's business-related tax and unemployment insurance processes to require reporting of the number of jobs (full-time-equivalents) and the percentage of company revenue derived from out of state;
2. liberalize privacy restrictions for selected WSD employment data;
3. require employers that take advantage of state incentives to report on employment and investment; and
4. create a gross receipts tax exemption on solo work billed to out-of-state clients with quarterly reporting protocols.

Mr. Lautman stated that the data collection is critical to show that the way the state spends money on economic development initiatives is producing desired results. He added that it

will be important to ensure that the legislature, the Legislative Finance Committee and executive agencies have the information they need to support the council's appropriation requests.

A member underscored the difficulty in justifying the council's requests without a method for valuing various steps in the economic development process, such as lead development, closing deals and identifying prospects. The member also noted that some of the council's requests should be for recurring funding to create stability and predictability in the state's economic development incentives and programs. Another member added that some funding should be recurring because economic development pursuits occur in greater-than-one-year periods.

Job Creation in the Border Region

Jerry Pacheco, executive director of the International Business Accelerator, talked about border area employment developments. Trade between New Mexico and Mexico has increased by a factor of 30, and the port in Santa Teresa is seventh in terms of the volume of trade conducted through the port, he said.

Mr. Pacheco noted that very few New Mexico-based customs brokerage firms can be retained for facilitating shipments from New Mexico to Mexico. For this reason, Texas-based firms frequently secure those contracts and, as a result, the trade volume between New Mexico and Mexico may be understated.

With respect to business activity involving Mexican maquiladoras, Mr. Pacheco stated that most of the raw materials have to be imported into Mexico from the United States, which results in a lot of trade activity and shipments of plastics, metals and packaging to Mexico. Many suppliers are locating in El Paso to take advantage of this trade activity, and New Mexico has an opportunity to encourage suppliers to locate in southern New Mexico. If the state brings suppliers to southern New Mexico, it will have to address the shortage of appropriate vacant buildings. Meanwhile, Texas's building vacancy rate is approximately 12% to 13%.

Mr. Pacheco updated the council on Foxconn's activities. Every day, the company makes 55,000 Dell computers and fills 300 trucks with computers for export to the United States. A designated traffic lane is being developed to accommodate the resulting growth in traffic. Union Pacific Railroad is another economic driver in southern New Mexico, reported Mr. Pacheco. From an initial \$480 million investment, 3,000 construction jobs and 600 permanent jobs associated with the railroad have been created.

Because of the activity and development in the Santa Teresa area, Mr. Pacheco reported that infrastructure is wearing out and needs to be maintained and improved. The community will seek capital outlay funding for this purpose. In certain cases, infrastructure needs are being aligned with needs on the Mexican side of the border to increase the efficiency and effectiveness of improvements that are made on each side of the border.

A member asked about lodging near Foxconn, and Mr. Pacheco informed the council that one extended-stay hotel in the area is primarily for Taiwanese company managers. However, a second hotel in Santa Teresa is open to the public.

In response to a question about the fence at the border, Mr. Pacheco stated that extending the fence to accommodate increased traffic lanes at border crossings would cost approximately \$2 million. He said that when the fence was built, the amount of traffic at the port was not anticipated.

A member proposed that the council support the use of severance tax bonding capacity for economic-base jobs development.

Job Creation in the South Central Region

Davin Lopez, president and CEO of the Mesilla Valley Economic Development Alliance, reported to the council that his organization works closely with Mr. Pacheco and the Arrowhead Center at NMSU on area economic development. He stressed that continuity in state-sponsored incentives improves his ability to effectively spur economic development.

Mr. Lopez stressed that the Las Cruces area has some of the best air space in the country and that it holds unique opportunities for the unmanned air vehicle industry. He said that there are also opportunities in logistics, back-office operations and manufacturing in the southern part of the state, but the Las Cruces and Santa Teresa areas are the only places that currently have infrastructure to support economic development.

Mr. Lopez outlined some economic opportunities that the state has lost because of the state's lack of adequate facilities, utility costs, low labor-market skills and insufficiently competitive incentives. Those opportunities could have produced more than 5,000 jobs. He suggested ways that the state could increase its competitiveness, including by increasing funding for LEDA projects, increasing funding for the JTIP, increasing funding for the New Mexico Partnership and establishing a local economic development organization matching-fund program to allow employment of more economic development professionals.

Mr. Lopez reminded the council that the state's economic development incentives are provided after the benefits to the state have been realized.

Kevin Boberg, associate dean and director for research and economic development for the NMSU College of Business, stated that NMSU is trying to bring out-of-state NMSU graduates back to the state. They are particularly targeting those graduates who may be in a position to expand a company or business in New Mexico. He added that this is the first time in 20 years that economic development and community engagement work is an explicitly stated goal of NMSU.

A member asked for a listing of the businesses that Mr. Lopez identified as lost opportunities for the state. Mr. Lopez said that he could name approximately six such businesses in the Dona Ana County area.

In response to a question about how the state can better position itself to quickly take advantage of economic development opportunities, Mr. Lopez stated that some jurisdictions use "fast-track permitting" processes, which are established at a local level.

Investment in Technology Research Gap Funding

Senator Padilla made a presentation to the council on steps that could be taken to encourage young entrepreneurs who are developing intellectual property to keep their ideas and business in the state. Senate Bill 99 from the 2014 session would earmark funding to help entrepreneurs move from the idea stage of development to production or expansion. Currently, he said, entrepreneurs are taking their ideas out of state for production; however, the state may be able to encourage them to stay in the state and benefit by affiliating with a university.

Mr. Boberg stated his support for Senator Padilla's proposal. Mr. Boberg informed the council that he was a co-creator of the Arrowhead Center, and he has seen the benefits of investing in students by supporting production of their innovations.

Update on Development of the Online Jobs-Data Repository

Charles Lehman, director for the Employment and Economic Information Center of New Mexico, updated the council on the online jobs-data repository. He provided the council members with printed copies of the pages that will be included in the online resource. The pages will include information on the council's interim work during 2013 and 2014, its membership and process, the jobs data compiled at the state and regional levels and interactive maps showing jobs needs and job creation in regions throughout the state.

Mr. Lehman reported that he is on schedule to finish development of the web site and that the content, which needs to be formatted, has been collected.

A member asked that information related to regions throughout the state and for the state as a whole be made available. In response to a question, Mr. Lehman stated that the web site would be housed on his organization's server but that it could be connected to the legislature's web site.

Public Comment

Teresa Johansen, chief operating officer for the Roadrunner Food Bank (RFB), asked for the council's support for capital outlay funding for the RFB. The funding would be used to purchase delivery trucks with which clients — primarily formerly incarcerated individuals — would be trained and given an opportunity to obtain a commercial driver's license. The clients would develop a job skill, the organization would receive delivery services and, ultimately, the state would benefit from the reduced recidivism of clients working for the RFB. Ms. Johansen

said that unemployment closely correlates with increased recidivism. She added that once clients receive training and a commercial driver's license, the RFB would help them to find permanent employment as delivery drivers.

Ms. Johansen said that the RFB would request \$550,000 in the 2015 session.

Adjournment

There being no further business before the council, the fourth meeting of the council for the 2014 interim adjourned at 4:25 p.m.